BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Gregory Scott	Chair
Edward A. Garvey	Commissioner
Marshall Johnson	Commissioner
LeRoy Koppendrayer	Commissioner
Phyllis A. Reha	Commissioner

In the Matter of the 2002-2016 Integrated Resource Plan of Missouri Basin Municipal Power Agency d/b/a Missouri River Energy Services

ISSUE DATE: April 9, 2002

DOCKET NO. ET-10/RP-01-1058

ORDER ACCEPTING RESOURCE PLAN, SETTING DEADLINE FOR NEXT RESOURCE PLAN FILING, AND REQUIRING INTERIM FILINGS ON ENVIRONMENTAL ISSUES

PROCEDURAL HISTORY

On July 5, 2001, Missouri Basin Municipal Power Agency d/b/a Missouri River Energy Services (Missouri River or the Agency) filed its integrated resource plan for 2002-2016.

On December 3, 2001, the Minnesota Department of Commerce (the Department) filed comments. The Department recommended accepting the plan. The Department also filed detailed recommendations for changes in Missouri River's forecasting and demand-side management practices, its approach to supply-side expansion and contingency planning, and its treatment of environmental concerns.

On January 22, 2002, Missouri River filed reply comments, stating that it was in general agreement with the Department's recommendations, with three exceptions and several clarifications.

On March 28, 2002, the plan came before the Commission.

FINDINGS AND CONCLUSIONS

I. Factual Background

A. The Resource Planning Process

The resource planning statute and rules are detailed, but basically require utilities to file biennial reports on (1) the projected energy needs of their service areas over the next 15 years; (2) their plans for meeting projected need; (3) the analytical process they used to develop their plans for meeting projected need; and (4) their reasons for adopting the specific resource mix proposed. Minn. Stat. § 216B.2422.

These requirements are designed to strengthen utilities' long term planning processes by providing input from the public, other regulatory agencies, and the Commission. They are also designed to ensure that utilities making resource decisions give adequate consideration to factors whose public policy importance has grown in recent years, such as the environmental and socioeconomic impact of different resource mixes.

Originally, resource planning requirements applied only to rate-regulated utilities. In 1993 the Legislature amended the statute to require resource plans from all entities serving 10,000 customers and capable of generating 100,000 kilowatts of electricity, directly or indirectly. This included Missouri River. For these utilities, however, Commission Orders are advisory only. Minn. Stat. § 216B.2422, subd. 2.

B. Missouri River Energy Services

Missouri River is a joint-action agency made up of 56 municipal utilities in Minnesota, Iowa, North Dakota, and South Dakota. The Agency is organized under the laws of Iowa and has its headquarters in Sioux Falls, South Dakota. Twenty-three of its member utilities are in Minnesota.

All of its members receive hydroelectric preference power from the Western Area Power Administration (WAPA), with Missouri River providing power to meet needs exceeding their WAPA allocations. Missouri River has long-term power sales agreements with 55 of its members, under which it must provide their total supplemental power requirements and load growth through the year 2005.

Beginning in 2005, Missouri River will continue to provide power to these 55 members at the same level provided in 2005, through the year 2030. Every ten years, beginning in 2005, these 55 members have the option of extending the contract dates by an additional ten years.

Missouri River gets most of its power from its affiliate, Western Minnesota Municipal Power Agency, which is wholly funded by Missouri River and shares its staff. Western Minnesota owns a 55-MW oil-fired peaking plant, a 16.47% share in a 1,650-MW baseload plant, a 750-kW wind turbine, several contracts with member utilities for peaking capacity totaling some 38 MW, and transmission facilities.

Missouri River is in the process of acquiring some 56.6 MW of new generating capacity under new contracts with its members. It has also established an interruptible load program for members with back-up generation. The interruptible load program had produced 1.5 MW of load relief as of the filing date, with further relief expected.

C. The Resource Plan

Missouri River's resource plan covers the period from 2002 to 2016. During this period the Agency forecasts a need for an additional 184 MW of generation capacity, beginning with 12 MW of peaking capacity in the summer of 2005. This capacity is in addition to the new capacity the Agency is gaining through new contracts with its members.

At this point, the Agency has concluded that the most efficient way to meet this need is to construct over time a series of small-scale (approximately 30 MW) combustion turbine units. The Agency is in the investigatory stage of siting and constructing a first unit.

II. Positions of the Parties

The only party to comment on Missouri River's resource plan was the Department, which recommended accepting it. The Department also filed detailed recommendations for changes in Missouri River's forecasting and demand-side management practices, its approach to supply-side expansion and contingency planning, and its treatment of environmental concerns.

Missouri River stated that it was fundamentally in agreement with the Department and that it valued the close working relationship between the two parties. The Agency expressed concerns about certain recommendations in the areas of forecasting and CO_2 contingency planning, however, on cost grounds. At the same time, the Agency said that it intended to keep weighing those recommendations in the contexts of both planning and daily operations.

The Department agreed to continue working with the Agency on resource planning issues and cautioned that it did not consider Missouri River's forecasting methods adequate to satisfy Minnesota's certificate of need standards.

III. Commission Action

A. Resource Plan Accepted

The Commission agrees with the parties that Missouri River's 2002-2016 resource plan complies with all applicable statutory and rule requirements and should be accepted. The process used to develop the plan was rigorous, open, and collaborative. The plan that emerged from that process offers a solid foundation for ongoing planning efforts.

The Agency worked closely with the Department during the planning process and has stated its commitment to continue to do so. This is important for several reasons. It permits Missouri River to tap into the Department's technical expertise, which reflects long-term experience with diverse utilities throughout the state. It permits the Department to gain a more complete understanding of Missouri River's unique operational advantages and challenges. And it holds promise for resolving the remaining issues on which the Department continues to express concern.

B. Contents of Next Resource Plan Filing

As Missouri River prepares its next resource plan, it is important that its collaboration with the Department continue. It is also important, when the next plan is filed, to have a clear understanding of any remaining differences between the Department's expectations of a resource plan and the actual plan submitted by Missouri River.

The Commission will therefore ask Missouri River to set forth clearly in its next resource plan filing each change in policy, process, or operations recommended by the Department, the action it has taken on each recommendation, and an explanation in each case in which it has decided not to follow the recommendation.

C. Next Filing Date Set

The resource planning statute does not specify how often resource plans should be filed, leaving that to Commission discretion. The Commission's rules specify biennial filings[1], but as resource plans have become more complex, the Commission has often varied the biennial filing requirement. It is often possible to defer these filings for a year or more with no harm to the public interest and significant cost savings for utilities, other stakeholders, and the regulatory agencies.

Here, too, the Commission finds that permitting a four-year interval between resource plan filings would adequately protect the public interest while conserving the resources of all concerned. The Commission will therefore vary the two-year filing requirement as permitted under Minn. Rules, part 7829.3200, making the following findings:

(1) Enforcing the two-year filing requirement would impose an excessive burden on Missouri River, the Department of Commerce, and the Commission, by requiring a time-consuming and unnecessary filing.

(2) Extending the filing deadline will not adversely affect the public interest.

(3) Extending the filing deadline does not conflict with any standards imposed by law.

Missouri River's next resource plan would therefore be due on or before July 1, 2005.

D. Interim Environmental Filings

One of the most important goals of the resource planning process is to protect utilities and the public they serve from being blindsided by major shifts in the economy, public policy, and technology. Contingency planning has therefore been part of the process from the beginning. This planning not only helps utilities deal with foreseen contingencies; it helps them deal with unforeseen contingencies, by creating a broader perspective and information base than they would otherwise have.

One plausible contingency with far-reaching consequences is a future mandate or incentive program to reduce utility emissions of CO2 and other greenhouse gases. The Commission is convinced that utilities must begin considering this contingency to adequately protect their ratepayers. They must also begin (or continue) careful analysis of the environmental issues raised by the Department.

The Commission will therefore ask that Missouri River make an interim filing on environmental issues, including at least the following information:

[1] Minn. Rules, part 7843.0300, subp. 2.

A. an analysis of whether and how Missouri River's SO_2 strategy is the least-cost method of compliance and a discussion of whether the use of SO_2 control technologies may be an appropriate option because of their potential for simultaneous mercury removal;

B. an update on mercury issues, including potential regulations, mitigation methods, and methods for addressing Minnesotans' concerns that mercury concentrations limit the consumption of fresh fish taken from Minnesota lakes;

C. a discussion of potential greenhouse gas regulations and mitigation methods; and

D. a greenhouse gas contingency plan to show how resource mix changes could lower the cost of meeting customer demand under different forms of regulation;

E. the total $_{CO2}$ and other greenhouse gas emissions for 1990 and the most recent year for which the most complete emissions information is available for all sources that provide its electricity;

F. possible effects on Missouri River's system and ratepayer costs of the following types of international or national policies:
- policies that promote unrestricted emissions trading and/or carbon sequestration possibilities to meet any CO_2 emissions reduction requirement;
- policies that permit but restrict or limit emissions trading and/or carbon sequestration possibilities to meet any CO_2 emissions reduction requirement; or
- policies that prevent emissions trading and/or use of carbon sequestration possibilities to meet any CO_2 emissions reduction requirement;

G. in discussing the possible effects on its system and ratepayer costs of the international or national policies cited above, an indication of:
- how various CO_2 emission reduction levels change the effects;
- how the timing of CO_2 emissions reduction requirements may affect its system and ratepayer costs;
- how other factors, such as technological advances, conservation efforts or fuel conversions could affect its system and/or ratepayer costs; and

H. whether past and potential actions regarding climate change (e.g., industry and industry-approved initiatives such as the Electric Power Research Institute's Climate Change Targets and the Department of Energy's Climate Challenge Program) appear prudent in response to developing international and national climate policies.

This interim filing will be due on or before July 1, 2004, a date suggested by Missouri River and accepted the Department.

ORDER

1. The 2002-2016 resource plan filed by Missouri Basin Municipal Power Agency d/b/a Missouri River Energy Services is hereby accepted.

2. Missouri River Energy Services shall file its next resource plan on or before July 1, 2005.

3. The Commission requests that Missouri River Energy Services's next resource plan include a list of each change in policy, process, or operations recommended by the Department of Commerce in this docket, together with an explanation of the action Missouri River Energy Services has taken on each recommendation.

4. The Commission requests that Missouri River Energy Services make a filing on or before July 1, 2004 including the following information:

   A. an analysis of whether and how Missouri River's SO_2 strategy is the least-cost method of compliance and a discussion of whether the use of SO_2 control technologies may be an appropriate option because of their potential for simultaneous mercury removal;

   B. an update on mercury issues, including potential regulations, mitigation methods, and methods for addressing Minnesotans' concerns that mercury concentrations limit the consumption of fresh fish taken from Minnesota lakes;

   C. a discussion of potential greenhouse gas regulations and mitigation methods; and

   D. a greenhouse gas contingency plan to show how resource mix changes could lower the cost of meeting customer demand under different forms of regulation;

   E. the total $_{CO2}$ and other greenhouse gas emissions for 1990 and the most recent year for which the most complete emissions information is available for all sources that provide its electricity;

   F. possible effects on Missouri River's system and ratepayer costs of the following types of international or national policies:
      - policies that promote unrestricted emissions trading and/or carbon sequestration possibilities to meet any CO_2 emissions reduction requirement;
      - policies that permit but restrict or limit emissions trading and/or carbon sequestration possibilities to meet any CO_2 emissions reduction requirement; or
      - policies that prevent emissions trading and/or use of carbon sequestration possibilities to meet any CO_2 emissions reduction requirement;

G. in discussing the possible effects on its system and ratepayer costs of the international or national policies cited above, an indication of:
   - how various CO_2 emission reduction levels change the effects;
   - how the timing of CO_2 emissions reduction requirements may affect its system and ratepayer costs;
   - how other factors, such as technological advances, conservation efforts or fuel conversions could affect its system and/or ratepayer costs; and

H. whether past and potential actions regarding climate change (e.g., industry and industry-approved initiatives such as the Electric Power Research Institute's Climate Change Targets and the Department of Energy's Climate Challenge Program) appear prudent in response to developing international and national climate policies.

5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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